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INFO AMEMBASSY OTTAWA

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USNMR SHAPE

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S E C R E T SECTION 1 OF 3 USNATO 5357

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TAGS: MCAP, NATO, CA

SUBJ: CANADIAN FORCES FOR NATO

REF: A. USNATO 3619

B. USNATO 4848

SUMMARY. RECENTLY APPROVED NEW FORMULA FOR FINANCING CANADIAN DEFENSE PROGRAM DOES NOT ARREST DECLINE IN SHARE OF GNP FOR DEFENSE, ALREADY SECOND LOWEST IN NATO ALLIANCE. NEW FORMULA PROVIDES BASIS FOR 5 YEAR DEFENSE PLANNING AND IS TO GENERATE ADEQUATE FUNDS TO SUPPORT EQUIPMENT MODERNIZATION. CANADIAN REPLY TO DPQ(73) DOES NOT ANNOUNCE ANY FIRM DECISIONS (THAT HAVE NOT BEEN PREVIOUSLY REPORTED) TO BUY MODERN EQUIPMENT, BUT REPLY DOES HOLD OUT PROMISE THAT SIGNIFICANT NEW PROCUREMENT PROGRAMS (FOR MODERN AT WEAPON SYSTEMS, LONG-RANGE PATROL AIRCRAFT, AND COMBAT AIRCRAFT) WILL BE INITIATED WITHIN 194 TO 78 PLANNING PERIOD. HIGHLIGHTS OF CURRENT MODERNIZATION PROGRAM ARE ACQUISITION OF BLOWPIPE AIR DEFENSE MISSILE SYSTEM,
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FOUR DESTROYER HELICOPTERS, AND CONSTRUCTION OF SHELTERS FOR 70 PERCENT OF COMBAT AIRCRAFT IN FRG. CENTURION TANK HAS BEEN RETAINED IN SERVICE UNTIL 1976. FORCE COMMITMENT FOR UNIFIED SERVICES UNDERTAKEN FOR 1973 IS BEING MET, EXCEPT FOR SLIGHT

ADJUSTMENTS IN READINESS STATUS OF DESTROYER FLEET. APPLICATION OF NEW FINANCIAL FORMULA HAS RESULTED IN SOME MODIFICATIONS TO FORCE STRUCTURE FROM 1974 ONWARD. COUNTRY PLANS FOR 1974 TO 78 CONTINUE TO FALL SHORT OF NATO 1973-78 FORCE GOALS. NATIONAL POLICY IS TO MAINTAIN ADEQUATE STOCKS TO SUPPORT 30 DAYS OF WARTIME ACTIVITY. PERSONNEL STRENGTH OF UNIFIED SERVICES REMAINS AT APPROXIMATELY 82 THOUSAND. END SUMMARY.

1. FORCES.

A. LAND FORCES. COMMITMENT UNDERTAKEN TO NATO FOR 1973 IS BEING MET. 1974 COMMITMENT CONSISTS OF ONE MECHANIZED BRIGADE GROUP (OPERATIONAL READINESS STATUS A1) BASED IN FRG, ONE AIR-SEA TRANSPORTABLE COMBAT GROUP (CAST COMBAT GROUP, A4) BASED IN CANADA, INCLUDING AN AIR TRANSPORTABLE BATTALION GROUP ALLOCATED TO ACE MOBILE FORCE LAND (FOR REINFORCEMENT OF NATO'S NORTHERN FLANK), AND ONE AIR TRANSPORTABLE COMBAT GROUP (A1) BASED IN CANADA (ASSIGNED TO CANADA-US REGIONAL PLANNING GROUP FOR EMPLOYMENT WITHIN NORTH AMERICA). THE MECHANIZED BRIGADE GROUP IN FRG HAS AN ACTUAL STRENGTH OF 3,086 REGULARS; AN ADDITIONAL 211 REGULARS TO BE FLOWN OVER FROM CANADA HAVE BEEN EARMARKED AS AUGMENTATION PERSONNEL. SAME BASIC 1974 FORCE STRUCTURE IS REPORTED FOR 1975 TO 78 PERIOD, WITH CAVEAT THAT FUTURE CONFIGURATION OF LAND FORCES IN EUROPE IS BEING RE-EXAMINED. CANADA STILL DOES NOT INTEND TO MEET NATO FORCE GOALS TO MAKE CAST COMBAT GROUP AVAILABLE FOR DEPLOYMENT IN CENTRAL REGION OR TO EARMARK ONE ADDITIONAL DUAL-BASED AIR-TRANSPORTABLE BATTALION (TO CAST COMBAT GROUP) FOR ASSIGNMENT TO ACE MOBILE FORCE LAND.

(1) EQUIPMENT. SPECIAL DISTRIBUTION EQUIPMENT AND AMMUNITION TABLE ARE NOT INCLUDED IN REPLY TO DPQ(73). ALTHOUGH PROGRESS IS REPORTED IN MODERNIZING LAND FORCES EQUIPMENT, IMPROVEMENTS ARE CONTINGENT ON AVAILABILITY OF RESOURCES AND ARE SUBJECT TO OUTCOME OF FUTURE FORCE REVIEW. AS A RESULT OF STRONG REPRESENTATIONS FROM SACEUR, CANADA HAS DECIDED TO RETAIN CENTURION TANK IN SERVICE UNTIL 1976, 155 MM HOWITZER (M109) IS TO BE MODIFIED AND RETAINED IN SERVICE. BLOWPIPE LOW LEVEL AIR DEFENSE MISSILE SYSTEM IS TO BE INTRODUCED INTO MECHANIZED BRIGADE GROUP AND CAST COMBAT GROUP DURING 1974-78 PERIOD. MEMORANDUM INDICATES THAT CURRENT MEDIUM AND HEAVY AT SYSTEMS ARE TO BE REPLACED BY A SECOND GENERATION MISSILE SYSTEM (TYPE UNIDENTIFIED BY MOST LIKELY TOW) AND THAT ACQUISITION OF ATTACK HELICOPTERS WITH AT CAPABILITY IS BEING STUDIED; HELICOPTERS IN CURRENT INVENTORY WILL NOT BE GIVEN AT AT CAPABILITY. EIGHT CH47 TRANSPORT HELICOPTERS, REPLACING PART OF CH113 FLEET, ARE BEING PROCURED (1973/74). REPLACEMENT OF FERRET, WHEELED ARMORED RECONNAISSANCE VEHICLE, IS UNDER CONSIDERATION. COMMUNICATIONS FACILITIES WITHIN MECHANIZED BRIGADE GROUP ARE BEING IMPROVED.

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(2) LOGISTICS. NATIONAL POLICY IS TO MAINTAIN ADEQUATE OPERATIONAL STOCKS FOR 30 DAYS OF WARTIME ACTIVITY, USING EITHER

ACE STOCKPILING GUIDANCE OR TAKING COGNIZANCE OF SPECIAL NATIONAL REQUIREMENTS. IMPROVED 50 CALIBRE AMMUNITION DEVELOPED BY CANADA WAS ADDED TO OPERATIONAL STOCKS IN 1972; NO OTHER INFORMATION ON STOCKS IS SUPPLIED. MEMORANDUM STATES THAT THERE ARE A NUMBER OF LOGISTIC AGREEMENTS BETWEEN CANADA AND COUNTRIES (US AND FRG) PROVIDING LOGISTIC SUPPORT TO MECHANIZED BRIGADE GROUP IN FRG.

B. MARITIME FORCES. COMMITMENT TO NATO UNDERTAKEN FOR 1974 IS BEING MET EXCEPT FOR SLIGHT ADJUSTMENTS IN READINESS STATUS, BOTH UPWARD AND DOWNWARD, OF DESTROYER FLEET. IN ORDER TO FACILITATE IMPLEMENTING NEW FORMULA FOR FINANCING DEFENSE PROGRAM, ADJUSTMENTS ARE BEING MADE TO MARITIME STRUCTURE. BY 1974, TRACKER MPAS WILL BE REDUCED FROM 28 TO 16 AND RECONFIGURED FOR SURVEILLANCE AND ATTACK ROLE (NO LONGER OFFENSIVE ASW) AND FOUR RESERVE FLEET (CAT C) DESTROYERS WILL BE PHASED OUT. HENCE 1974 COMMITMENT CONSISTS OF TWELVE HELICOPTER DESTROYERS (EIGHT A1 AND FOUR B4), INCLUDING 4 NEW TYPE DDH 280S, EIGHT DESTROYER ESCORTS (TWO A1, TWO B4, AND FOUR C5), INCLUDING 4 IMPROVED RESTIGOUCHE CLASS, THREE SUBMARINES (TWO A1 AND ONE C5), 32 ARGUS MPA (A1), 16 RECONFIGURED TRACKERS (A1), AND 20 SEEKING ASW HELICOPTERS (A1). SHIP STRUCTURE IS PROJECTED TO REMAIN THE SAME OVER 1975 TO 78 PERIOD. BOTH ARGUS AND TRACKER AIRCRAFT ARE TO BE PHASED OUT BY 1977; A MODERN LONG-RANGE PATROL AIRCRAFT IS TO BE SELECTED AS REPLACEMENT (ESSENTIALLY FOR ARGUS) IN 1974. FORCE PLANS CONTINUE TO FALL SHORT OF FORCE GOAL TO ALLOCATE 12 CAT A DESTROYERS TO SACLANT.

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(1) EQUIPMENT. MODERATE EQUIPMENT MODERNIZATION PROGRAM IS BEING IMPLEMENTED; PROGRAM DOES NOT INCLUDE ACQUISITION OF ANY MAJOR SHIPS OR AIRCRAFT NOT PREVIOUSLY REPORTED. MOST NOTE-WORTHY IMPROVEMENT IS INTRODUCTION INTO SERVICE (BY END-1974) OF FOUR HELICOPTER DESTROYERS (DDH 280). NEW DDHS WILL HAVE ADVANCED COMMAND AND CONTROL, SONAR, AND SURFACE AND AIR WEAPONS SYSTEMS, INCLUDING CANADIAN SEQ SPARROW CLOSE-RANGE MISSILE SYSTEM. NATO GOAL TO CONSTRUCT MODERN ESCORTS IS STILL UNDER STUDY. MID-LIFE MODERNIZATION OF FOUR RESTIGOUCHE CLASS DESTROYERS IS NEARLY COMPLETED; ALL FOUR WILL BE OPERATIONAL BY MID-1974. DESTROYER FLEET TOTALS 20 VESSELS FROM 1974 ONWARD: 12 DDH (INCLUDING 4 NEW DDH280S) ARE ALLOCATED TO EAST COAST AND 8 DDE (INCLUDING FOUR IMPROVED RESTIGOUCHE) ARE ALLOCATED TO WEST COAST. MEMORANDUM INDICATES DECISION TO CONTINUE TO MAINTAIN SUSTANTIAL MARITIME RESOURCES ON WEST COAST IS BASED ON NATIONAL REQUIREMENTS AND ON AUGMENTED SOVIET NAVAL ACTIVITY IN NORTHEAST PACIFIC AREA. AS NOTED ABOVE, A MODERN LONG-RANGE PARTOL AIRCRAFT IS TO BE PROCURED, WITH INITIAL DELIVERIES PROJECTED FOR 1976. TYPE AND PRECISE NUMBER OF AIR-
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CRAFT HAVE NOT YET BEEN DECIDED. TRENCH CLASS SUBMARINE (ON WEST COAST UNDER NATIONAL COMMAND) IS ALSO BEING PHASED OUT TO HELP IMPLEMENT NEW FINANCIAL FORMULA; THIS MAY HAVE AN IMPACT OF NUMBER OF SUBS ASSIGNED TO SACLANT. SIGNIFICANT PROGRESS IS BEING MADE IN IMPROVING SHIP ECM/ECCM CAPABILITIES. SHIP COMMUNICATION SYSTEMS ARE ALSO BEING MODERNIZED.

(2) LOGISTICS. NO DETAILS ARE FURNISHED ON WAR RESERVES, OTHER THAN OUTLINE OF PROGRAM TO MODERNIZE MARK 37 TORPEDO. IT IS CANADIAN POLICY TO MAINTAIN ADEQUATE STOCKS TO SUPPORT 30 DAYS WARTIME ACTIVITY, USING ACLANT PLANNING GUIDANCE AND TAKING COGNIZANCE OF SPECIAL NATIONAL REQUIREMENTS.

C. AIR FORCES. COMMITMENT TO NATO UNDERTAKEN FOR 1973 IS BEING MET. 1974 COMMITMENT IS THYREE A1 READY CF104 ATTACK SQUADRONS (STRKE ROLE TERMINATED IN 1972) BASED IN FRG, TWO CF5 ATTACK RECCE SQUADRONS (READINESS STATUS NOT YET DETERMINED) BASED IN CANADA, AND TWO BLOWPIPE LOW LEVEL SHORT RANGE AIR DEFENSE MISSILE SQUADRONS (READINESS STATUS NOT REPORTED) IN FRG. TWO CF5 SQUADRONS ARE AIR REFORCEMENTS FOR NORTHERN REGION, ONE IS ALLOCATED TO ACE MOBILE FORCE AIR. TO AUGMENT THE CF104 SQUADRONS, 18 CF104S ARE HELD IN EUROPE IN SHORT TERM STORAGE. THE 18 CF104S, WHICH WILL BE MANNED BY AIRCREWS AND SUPPORT PERSONNEL FLOWN IN FROM CANADA, WOULD BE USED IN AN EMERGENCY, TO PRING UE OF CF104 SQUADRONS UP TO 18. (AIRCREWS COME TO EUROPE ANNUALLY FOR TRAINING.) THREE CF104 SQUADRONS ARE DEPLOYED TO ONE BASE IN PEACETIME; IN AN EMERGENCY ONE SQUADRON WOULD REDEPLOY TO A SECOND AIR BASE IN FRG. DECISION TO INCREASE CF5 SQUADRONS UE TO 20 AIRCRAFT EACH HAS BEEN POSTPONED BECAUSE OF FISCAL AND PERSONNEL CONSTRAINTS. ULTIMATE AIM CONTINUES TO BE TO EXPAND UE TO 40. EXPANSION IS PARTIALLY LINKED TO PROBLEM OF DECIDING RATIO BETWEEN SINGLE AND DUAL SEATER CF5S. 1974 COMMITMENT OF CF5S IS FOR 27 AIRCRAFT,

OF WHICH 20 ARE SINGLE-SEATER TYPE AND SUITABLE FOR DEPLOYMENT TO NORTHERN FLANK. SEVEN ARE DUAL SEATER TYPE WITH LIMITED ARMAMENTS, NO RECONNAISSANCE CAPABILITY AND NOT AIR REFUELABLE AND HENCE, IN CANADIAN VIEW, NOT SUITABLE FOR DEPLOYMENT TO NORTH. COUNTRY PLANS CONTINUE TO FALL SHORT OF NATO FORCE GOALS FOR SQUADRON UE, FOR TACTICAL RECCE SQUADRON AND FOR SAME LOW ALTITUDE BATTERIES. OVER 1974 TO 78 PERIOD, CANADA CONTINUES TO PROVIDE 3 SQUADRONS OF CF101 AWW, AS WELL AS RADAR WARNING AND ASSOCIATED COMMUNICATION FACILITIES FOR JOINT DEFENSE OF NORTH AMERICA.

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(1) EQUIPMENT. THERE ARE NO FIRM PLANS TO INTRODUCE MODERN AIRCRAFT IN PERIOD UNDER REVIEW, 1974 TO 78. GLARING ABSENCE IS LACK OF MODERN AIRCRAFT WITH NIGHT, ALL WEATHER CAPABILITY. A MAJOR REFITTING PROGRAM HAS EXTENDED LIFE OF CF104S UNTIL 1978. CF104S ARE BEING PROVIDED WITH A LIMITED NIGHT CAPABILITY, AN EXTENSIVE WEAPONS PACKAGE AND ECM EQUIPMENT. PRELIMINARY STUDIES ON A REPLACEMENT AIRCRAFT FOR BOTH THE CF101 AND CF104 ARE UNDERWAY. PASSIVE AIR BASE DEFENSE HAS BEEN IMPROVED BY VIRTUE OF SUCH MEASURES AS OFF-BASE DISPERSAL, TONE-DOWN, CAMOUFLAGE AND ACQUISITION OF RAPID RUNWAY REPAIR EQUIPMENT. ACTIVE LOW LEVEL AIR BASE DEFENSE IN FRG WILL BE ENHANCED BY INTRODUCTION IN 1974 OF BLOWPIPE MISSILE SYSTEM AND BOFFIN 40 MM GUN SYSTEMS. THERE ARE, HOWEVER, NO PLANS TO PROCURE TWO LOW-ALTITUDE SAM BATTERIES AS CALLED FOR IN NATO GOALS. AS REGARDS AIRCRAFT SHELTERS, 26 FRG DESIGNED AND SHAPE APPROVED SHELTERS ARE NEARING COMPLETION AT THE MAIN AIR BASE IN FRG (BADEN-SOELLINGEN); 13 ARE NEARING COMPLETION ON THE REDEPLOYMENT BASE IN FRG (LAHR). TOTAL OF 39 SHELTERS WILL PROVIDE PROTECTION FOR 70 PERCENT OF COMBAT AIRCRAFT. THERE ARE NO PLANS TO CONSTRUCT, WITH NATIONAL FUNDS, SHELTERS FOR AIRCRAFT (30 PERCENT) NOT COVERED BY NATO INFRASTRUCTURE PROGRAM. AN AIR TRAFFIC CONTROL SYSTEM REPLACEMENT PROGRAM, INVOLVING PROCUREMENT OF SURVEILLANCE RADARS AND INSTRUMENT LANDING SYSTEMS IS PLANNED; NEW SYSTEMS WILL BE INSTALLED IN FRG IN 1975/76.

(2) LOGISTICS. MEMORANDUM STATES CANADA MAINTAINS IN FRG WAR RESERVE STOCKS (CONVENTIONAL WEAPONS, MAINTENANCE SPARES AND SUPPLIES) SUFFICIENT FOR 30 DAYS OF WARTIME ACTIVITY. POL AND RATIONS ARE SUPPLIED UNDER A BILATERAL USAREUR/CANADIAN FORCES LOGISTICS ARRANGEMENTS. NO DETAILED BREAKOUT OF WAR RESERVE ITEMS BY DAYS IS PROVIDED. PROCUREMENT PROGRAMS ARE UNDERWAY TO PROVIDE 30 DAYS OF WAR RESERVES FOR CF5 SQUADRONS TO BE DEPLOYED TO NORTHERN FLANK. CONSULTATIONS ARE CONTINUING BETWEEN CANADA AND NORWAY TO DETERMINE WHAT FACILITIES AND OTHER SUPPORT ARRANGEMENTS MAY BE AVAILABLE FOR THE CF5 UNITS.

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2. PERSONNEL AND TRAINING. BECAUSE ARMED FORCES ARE A UNIFIED FORCE, CANADA DOES NOT REPORT PERSONNEL BY INDIVIDUAL SERVICE. TOTAL ACTUAL STRENGTH (ALL REGULARS) IS REPORTED AT 81,560 IN 1973, INCREASING TO 82,320 BY 1974, AT WHICH LEVEL IT REMAINS OVER REST OF PLANNING PERIOD. CANADA HAS NO WAR AUTHORIZED STRENGTH. AT OUTBREAK OF HOSTILITIES, ALL NATIONAL AND NATO COMMITTED UNITS ARE TO BE MANNED BY REGULARS. HOWEVER, VARIOUS UNITS ARE TO BE AUGMENTED BY RESERVE PERSONNEL. SOME 24 THOUSAND RESERVISTS ARE CARRIED ON ROLLS; ALL BUT 20 PERCENT REQUIRED TO FILL CIVILIAN STRATEGIC OCCUPATIONS ARE AVAILABLE FOR RECALL DURING FIRST 15 DAYS OF MOBILIZATION. RESERVISTS TRAINING IS VOLUNTARY (CANADA DOES NOT HAVE A COMPULSORY RESERVE SYSTEM) AND IS CONDUCTED THROUGHOUT THE YEAR ON A CONTINUOUS BASIS. COMBINED TOTAL OF LAND AND AIR FORCES STATIONED IN FRG (INCLUDING COMMAND, CONTROL AND BASE SUPPORT PERSONNEL) IS 5,250 OVER 1973 TO 78 PERIOD. ABOUT 5,520 MILITARY PERSONNEL ARE ON SHIPS. CAT A AND B MARITIME UNITS ARE MANNED AT 96 PERCENT OF SHIPS AUTHORIZED COMPLEMENT. PILOT-TOAIRCRAFT RATIOS ARE 1.5 TO 1 FOR CF104 SQUADRONS (DPLOYED IN FRG) AND 1.3 TO 1 FOR CF5 SQUADRONS.

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AVERAGE ANNUAL FLYING TIME PER AIRCREW MEETS THE NATO STANDARD OF 240 HOURS. CANADIAN BASED CF5 SQUADRONS BEGAN TRAINING IN NORWAY IN JUNE, 1973. BILATERAL ARRANGEMENTS INVOLVING THE USE OF TRAINING FACILITIES AND AREAS IN CANADA HAS BEEN CONCLUDED WITH THE NETHERLANDS FOR AIRCREW TRAINING AND WITH UK FOR LAND AND AIR TRAINING. BILATERAL ARRANGEMENTS WITH FRG FOR TRAINING LAND UNITS IN CANADA ARE IN THE FINAL STAGES OF NEGOTIATIONS.

3. DEFENSE EXPENDITURES.

A. GOVERNMENT RECENTLY APPROVED A NEW FORMULA FOR FINANCING CANADIAN DEFENSE PROGRAM. NEW FORMULA USES 2,143 MILLION CANADIAN DOLLARS (IN FY1973/74) AS STARTING BASE FOR DEFENSE SPENDING AND PROVIDES FOR ESCALATION OF THE DEFENSE BUDGET AT A RATE OF 7 PERCENT EACH YEAR DURING THE FIVE FISCAL YEARS BETWEEN 1974/75 AND 1978/79. NEW STARTING BASE OF \$2,143 MILLION IS DERIVED FROM CANADIAN DEFINITION OF DEFENSE EXPENDITURES; WHEN NATO DEFINITION IS UTILIZED STARTING BASE IS \$2,498 MILLION IN FY1973/74. IN CANADIAN VIEW, NEW FORMULA WILL ALLOW CANADA TO DO FORCE PLANNING ON A FIVE-YEAR BASIS, WILL GENERATE ADEQUATE FUNDS FOR EQUIPMENT REPLACEMENT PROGRAMS AND WILL ENSURE (IN ABSENCE OF MAJOR CHANGE IN DEFENSE POLICY) THAT DEFENSE PROGRAM WILL REMAIN AT ABOUT ITS PRESENT LEVEL. APPLICATIONS OF NEW FORMULA HAS RESULTED IN SOME MODIFICATIONS TO CURRENT FORCE STRUCTURE (DISCUSSED IN FORCES SECTION).

B. FINANCIAL AND ECONOMIC SECTION OF DPQ(73) REPORTS FOLLOWING DEFENSE EXPENDITURES (NATO DEFINITION) IN MILLIONS OF CANADIAN DOLLARS:

FY1972/73 2,243

FY1973/74 2,498

FY1974/75 2,681

(FISCAL YEAR APRIL TO MARCH)

EXPENDITURES TRANSLATE INTO 11.4 INCREASE IN MONETARY TERMS IN 1973 OVER 1972 AND A 7.3 INCREASE IN 1974 OVER 1973. IN REAL TERMS USNATO ESTIMATES INCREASE WILL BE ABOUT 4.5 PERCENT OVER 1973 OVER 1972 AND LESS THAN ONE PERCENT IN 1974 OVER 1973. USING A CONSERVATIVE PRICE DEFLATOR, WE ESTIMATE AN INCREASE IN REAL TERMS OF ABOUT 2 PERCENT YEARLY OVER 1975 TO 78 PERIOD.

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C. USNATO ESTIMATES SHARE OF GNP FOR DEFENSE WILL BE 2.4 PERCENT IN 1973, DECLINING TO 2.3 IN 1974. SHARE WILL CONTINUE TO DECLINE OVER PLANNING PERIOD.

D. DEFENSE EXPENDITURES ARE ONLY BROKEN DOWN FOR FY1972/73 AND 1973/74. PORTION OF DEFENSE BUDGET FOR MAJOR EQUIPMENT AND AMMUNITION INCREASES FROM 7.3 PERCENT IN 1972 TO 8.7 PERCENT IN 1973. PORTION FOR MILITARY PERSONNEL, INCLUDING PENSIONS, INCREASES FROM 50.6 PERCENT IN 1972 TO 52.0 PERCENT IN 1973.

4. PROPOSED USNATO POSITION FOR MULTILATERAL EXAMINATION. AT MULTILATERAL EXAMINATION OF CANADIAN FORCE PLANS RESCHEDULED FOR NOVEMBER 9, USNATO PROPOSES TO RAISE FOLLOWING POINTS:

A. EXPRESS DISAPPOINTMENT THAT NEW FORMULA FOR FINANCING DEFENSE PROGRAM DOES NOT ARREST DECLINE IN SHARE OF GNP FOR DEFENSE. CONTRAST DECLINE WITH EXPANDING CANADIAN ECONOMY.

B. NOTE NEW FORMULA PROVIDES FOR DEFENSE PLANNING ON 5 YEAR BASIS AND PROMISES TO GENERATE FUNDING TO SUPPORT AN EQUIPMENT REPLACEMENT PROGRAM. URGE THAT CANADA MADE AVAILABLE ADDITIONAL MONIES FOR NEW EQUIPMENT, ESPECIALLY IN LIGHT OF PRACTICE IN PAST FEW YEARS TO DEFER DECISIONS TO PROCURE MAJOR EQUIPMENT. ENCOURAGE CANADA TO ALLOCATE SUBSTANTIALLY MORE THAN CURRENT 7 TO 9 PERCENT OF DEFENSE BUDGET TO EQUIPMENT AND AMMO. EXPRESS HOPE THAT MODERN TANKS, ANTI-TANK WEAPONS, AIRCRAFT AND TRUCKS WILL BE PROCURED IN THE IMMEDIATE FUTURE.

C. IN VIEW OF RECENT EVENTS WHICH CONFIRM EFFECTIVENESS OF MODERN SURFACE-TO-AIR MISSILES, ASK IF CANADA IS RECONSIDERING ITS POSITION NOT TO IMPLEMENT NATO FORCE GOAL TO PROVIDE TWO SAME LOW BATTERIES.

D. CITE IMPORTANCE TO NATO OF AIRCRAFT SHELTER PROGRAM AND EXPRESS HOPE THAT CANADA WILL RECONSIDER CONSTRUCTION OF SHELTERS WITH NATIONAL FUNDS FOR AIRCRAFT NOT COVERED BY NATO FUNDING.

E. NOTE IMPORTANCE US ATTACHES TO INCREASING LEVEL OF WAR RESERVES AND EXPRESS CONCERN THAT CANADA DID NOT REPORT IN DETAIL ON WAR RESERVE SITUATION. EXPRESS HOPE THAT CANADA
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IN THE FUTURE WILL REPORT IN TERMS OF NATO STANDARDS. AS IF THERE ARE ANY CRITICAL DEFICIENCIES IN WAR RESERVES.

5. FOR OTTAWA: YOUR COMMENTS ON PROPOSED USNATO QUESTIONS AND USGGESTED ADDITION QUESTIONS WOULD BE APPRECIATED. MCAULIFFE

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